

SOCIAL SECURITY AND THE REPUBLICAN BUDGET: FISCALLY RECKLESS, MORALLY IRRESPONSIBLE, AND A FAILURE OF LEADERSHIP

Democrats believe that on every issue our nation faces, it is our responsibility to ensure that the policies we pursue are consistent with the values we cherish. The Bush Administration's 2006 budget fails in every respect. It is fiscally reckless, adding trillions to the deficit over the next 10 years. It is morally irresponsible, slashing funding for key domestic initiatives. And despite the fact that the President has called privatizing Social Security his top domestic priority this year, his 2006 budget includes no details on his plan. His failure to provide a clear and honest accounting of the difficult trade-offs between increases in the debt, benefit cuts, and tax increases necessary to fund the White House's privatization proposal is a failure of leadership. Democrats stand ready to address the challenges facing Social Security, but the President must put forward a proposal that is fiscally responsible, fair, and does not slash benefits.

Budget omits the cost of Social Security privatization. Social Security privatization will cost more than \$4 trillion in the first 20 years, according to independent experts. But there is no mention of or provision for these costs in the President's budget.

Budget continues the raid on the Social Security Trust Fund. In 2001, Republicans promised to save every dollar of the Social Security surplus. But the new budget continues the raid on the Social Security, borrowing and spending nearly all of the money from the Trust Fund over the next five years.

Republicans have no plan to strengthen Social Security. Even the Bush Administration acknowledges that privatization will do nothing to improve the financial health of Social Security. In fact, because the Republican plan will drain more than \$4 trillion dollars from the Social Security Trust Fund in the next 20 years. With this radical change, today's modest funding shortfall would become serious, exhausting the Trust Fund more than 10 years sooner than projected.

The Republican privatization proposal threatens our economic security with trillions in new debt. The Republican plan to establish private accounts requires borrowing more than \$4 trillion, largely from foreign countries, and will increase our debt for the next 50 years. Not only does this threaten rising interest rates today, it also raises taxes on our children and grandchildren tomorrow.

Privatization means big benefit cuts for American workers. The Republican plan undermines retirement security for all Americans by cutting guaranteed benefits by more than 40 percent, and risky private accounts won't make up the loss in benefits for millions of Americans. In fact, the average retiree would lose \$152,000 in benefits under the privatization plan. A private account is unlikely to make up for this benefit cut because the plan would also take back 70 cents of every dollar in the private account.

The Republican plan puts hard-earned retirement savings at the mercy of the political process. Politicians will pick which firms get to invest our hard earned Social Security funds – a process that will inevitably be corrupted given problems in the financial services industries. These private accounts will put almost \$1 trillion in brokerage and other transaction fees into Wall Street's pockets.

Democrats want to save, strengthen, and secure Social Security, not cut benefits and weaken Social Security. Democrats will fight to ensure that all workers are paid the Social Security benefits they earned. We are working to reduce the deficit in order to protect the Social Security benefits. We are working to secure pension benefits, make it easier for workers to save for retirement by strengthening investment vehicles such as 401(k)s and IRA plans, and provide clear information on retirement investment options.

